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BELL KNIT INDUSTRIES LIMITED

Concord

FINANCIAL STATEMENTS

For Year Ended December 31, 1974

(With Comparative Figures for 1973)

GREENWOOD, MELTZ, SILVERSTEIN AND GREENWOOD

Chartered Accountants

AUDITORS' REPORT TO SHAREHOLDERS

We have examined the Balance Sheet of Bell Knit Industries Limited as at December 31, 1974 and the related Statements of Operations, Shareholders' Equity and Changes in Financial Position for the year ended on that date.

We have made a general review of the Accounting Procedures and have made such tests of the Accounting Records and other supporting evidence as we considered necessary in the circumstances.

Depreciation on the fixed assets has not been recorded for the current year. In our opinion this is not in accordance with generally accepted accounting principles. Had depreciation been recorded on a basis consistent with that of the preceding year, the depreciation for the current year would have amounted to \$110,768, the accumulated depreciation to December 31, 1974 would have amounted to \$666,091, the net loss for the year would have amounted to \$171,841 and the shareholders' equity would have amounted to \$598,806.

In our opinion, except for the failure to provide for depreciation and to make related adjustments as set out in the preceding paragraph the accompanying financial statements present fairly the financial position of the Company as at December 31, 1974 and the result of its operations and changes in financial position for the period under review, in accordance with generally accepted Accounting Principles applied on a basis consistent with that of the preceding year.

Greenwood, Meltz, Silverstein and Greenwood.

Greenwood, Meltz, Silverstein and Greenwood.

Willowdale, January 31, 1975.



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BELL KNIT INDUSTRIES LIMITED
(Incorporated under the Laws of Canada)

BALANCE SHEET

As at December 31, 1974

(With Comparative Figures for 1973)

	1974	1973
ASSETS		
<u>Current:</u>		
Cash on Hand and in Bank	\$ 142	\$ 217
Accounts Receivable Less Allowance for Doubtful Accounts (1974 - \$11,472; 1973 - \$ 10,806)	161,748	183,499
Inventory - At Lower of Cost or Net Realizable Value Less Normal Profit Margin	540,542	385,601
Shareholders' Accounts	-	15,960
Prepaid Expenses and Sundry Assets	10,954	9,422
Unamortized Costs re Mortgage - Current Portion	-	554
	<u>\$ 713,386</u>	<u>\$ 595,253</u>
Investment in Shares of Wholly - Owned Subsidiary - Bell Knitting Mills (1964) Limited - At Cost	\$ 722,200	\$ 722,200
<u>Less:</u> Note Payable to Subsidiary (Note 2)	<u>419,830</u>	<u>419,880</u>
	<u>\$ 302,370</u>	<u>\$ 302,320</u>
<u>Fixed:</u> At Cost Less Accumulated Depreciation - per Schedule #2 (Note 6)	<u>\$ 632,901</u>	<u>\$ 631,296</u>
<u>Other:</u>		
Refinancing Expense	\$ 1,643	\$ 1,643
Patents and Trade Marks	990	990
	<u>\$ 2,633</u>	<u>\$ 2,633</u>
	<u><u>Total Assets</u></u>	<u><u>\$ 1,651,290</u></u>
	<u><u>\$ 1,531,502</u></u>	
LIABILITIES		
<u>Current:</u>		
Bank Indebtedness (Note 4)	\$ 693,910	\$ 532,762
Accounts Payable and Accrued Liabilities	160,510	113,573
Loans Payable - Shareholders	-	1,257
Industrial Development Bank Loan - 8½%, Due June 23, 1974	-	21,000
Debenture Payable - Estate of Minnie Rotman (Note 5)	84,914	-
Federal and Provincial Taxes Payable	2,382	7,349
	<u>\$ 941,716</u>	<u>\$ 675,941</u>
<u>Deferred:</u>		
Debenture Payable - Estate of Minnie Rotman	<u>\$ -</u>	<u>\$ 84,914</u>
	<u><u>Total Liabilities</u></u>	<u><u>\$ 941,716</u></u>
	<u><u>\$ 760,855</u></u>	
<u>SHAREHOLDERS' EQUITY</u> - per Schedule #3	<u><u>\$ 709,574</u></u>	<u><u>\$ 770,647</u></u>

The Accompanying Notes form an integral part of the financial statements.

To be read with Our Report of January 31, 1975.

Approved on Behalf of the Board of Directors:

BELL KNIT INDUSTRIES LIMITED

NOTES TO FINANCIAL STATEMENTS

For Year Ended December 31, 1974

1. Letters of Credit Outstanding - \$72,500 (1973 - \$21,353)

2. Note Payable

The Note Payable, an unsecured note, without interest was due on May 29, 1969. Subsequent to the balance sheet date, on February 20, 1975 this note was extended to May 29, 1979.

3. Net Investment in Wholly Owned Subsidiary - (Non-Operating)

The net investment in the wholly owned subsidiary represents -

- (a) The Value of 6,750 shares of Bell Knit Industries Limited acquired prior to acquisition and retained by the subsidiary, and
- (b) The Excess of the Company's cost for the shares of the wholly owned subsidiary over the book value of the subsidiary's fixed assets at the time of acquisition.

4. Bank Indebtedness

The Bank Indebtedness amounting to \$693,910 is secured by -

- (a) Assignment of Book Debts.
- (b) Assignment of Inventory under Section 88 of the Bank Act.
- (c) Floating Charge Debenture in the amount of \$1,000,000, which is secondary to the debenture held by the Estate of Minnie Rotman.

5. Debenture Payable - Estate of Minnie Rotman

The 7% Debenture Payable was due May 29, 1969 and is secured by a first Mortgage on the Company's property located at 89 and 91 Tycos Drive, Toronto, Ontario. The Executors of the Estate had agreed with the Company that as long as the Company was indebted to the Industrial Development Bank, which indebtedness has now been repaid, no payment of principal under the debenture would be required.

6. Depreciation

The current years' operations have not been charged with depreciation, had depreciation in the amount of \$69,540 (based on book values) been recorded, the net loss would have been \$30,613. The maximum normal capital cost allowance available for income tax purposes for the current year (excluding the Kincardine Property) amounted to \$110,768.

Schedule #3

BELL KNIT INDUSTRIES LIMITED
STATEMENT OF SHAREHOLDERS' EQUITY
For Year Ended December 31, 1974
(With Comparative Figures for 1973)

	<u>1974</u>	<u>1973</u>
<u>CAPITAL STOCK</u>		
<u>Authorized:</u>		
1,250,000 Common Shares - No Par Value		
<u>Issued and Fully Paid:</u>		
587,189 Common Shares	<u>\$ 922,695</u>	<u>\$ 922,695</u>
<u>DEFICIT ACCOUNT</u>		
<u>Balance - January 1</u>	<u>\$ 152,048</u>	<u>\$ 117,188</u>
<u>Add - Net Loss</u>	<u>\$ 61,073</u>	<u>\$ 34,665</u>
Interest on Capital Tax Re-Assessments	-	195
	<u>\$ 61,073</u>	<u>\$ 34,860</u>
<u>Balance - December 31</u>	<u>\$ 213,121</u>	<u>\$ 152,048</u>
<u>SHAREHOLDERS' EQUITY - December 31</u>	<u>\$ 709,574</u>	<u>\$ 770,647</u>

STATEMENT OF PROFIT AND LOSS

For Year Ended December 31, 1974

	<u>1974</u>	<u>1973</u>
<u>Sales</u>	<u>\$ 1,205,239</u>	<u>\$ 1,513,988</u>
<u>Loss (Profit) before the Following:</u>	<u>\$ 628</u>	<u>\$ (218,658)</u>
<u>Add:</u> Depreciation	<u>\$ -</u>	<u>\$ 135,198</u>
Interest on Debenture and Industrial Development Bank Loan	<u>6,444</u>	<u>9,596</u>
Directors' Remuneration	<u>54,001</u>	<u>73,602</u>
	<u>\$ 60,445</u>	<u>\$ 218,396</u>
<u>Net Loss (Profit) before Extraordinary Item</u>	<u>\$ 61,073</u>	<u>\$ (262)</u>
Loss on Disposition of Kincardine Property	<u>-</u>	<u>34,927</u>
<u>Net Loss - Transferred to Deficit Account</u>	<u>\$ 61,073</u>	<u>\$ 34,665</u>

Schedule #4

BELL KNIT INDUSTRIES LIMITEDSTATEMENT OF CHANGES IN FINANCIAL POSITIONFor Year Ended December 31, 1974(With Comparative Figures for 1973)

	<u>1974</u>	<u>1973</u>
<u>Source of Funds</u>		
Net Profit before Extraordinary Item	\$ -	\$ 262
Add: Depreciation - (Note 6)	- -	135,198
Net Income from Operations	\$ -	\$ 135,460
Proceeds from Sale of Fixed Assets	- -	45,493
Decrease in Unamortized Costs re Mortgage - Non Current Portion	- -	554
	<u>\$ -</u>	<u>\$ 181,507</u>
<u>Application of Funds</u>		
Net Loss	61,073	-
Fixed Asset Additions	1,605	15,506
Decrease in - Industrial Development Bank Loan -	- -	21,000
Debenture - Estate of Minnie Rotman (Note 5)	84,914	-
Repayment - Notes Payable to Subsidiary	50	50
Interest on Capital Tax Re-Assessments	- -	195
	<u>\$147,642</u>	<u>\$ 36,751</u>
<u>Increase (Decrease) in Working Capital Deficit</u>	<u>\$147,642</u>	<u>\$(144,756)</u>
<u>Working Capital Deficit - Beginning of Year</u>	<u>80,688</u>	<u>225,444</u>
<u>Working Capital Deficit - End of Year</u>	<u>\$228,330</u>	<u>\$ 80,688</u>

